



Dom Maklerski BDM S.A.

ENTER AIR

ANALYTICAL REPORT - SUMMARY

We estimate that in 2024, the number of air operations will increase by approximately 11%, which, combined with improved profitability, will enable the company to achieve record-breaking results. Our forecasted EBITDA of 492,2 million PLN (+21% y/y) and adjusted net profit of 79,4 million PLN (+14% y/y) imply an attractive valuation of the company (EV/EBITDA 5x). In 2025, Enter Air plans to maintain its transport capacity at the level of the 2024 summer season by replacing two ACMI units with NG aircraft. In our view, this change will increase the number of operations during the low season while reducing profitability in this period. Simultaneously, it will enable bigger cost savings in the summer, which combined with an increase in the number of flying hours (effect of improved fleet utilization), will allow for further progress in results in 2025. A more visible improvement in dynamics should be noticeable already in 2026, driven by the delivery of six Boeing 737 MAX aircraft. Assuming the planned replacement of part of the fleet due to the age of the machines, we anticipate that the number of aircraft will increase by three net units. On the downside, our valuation is impacted by a lower on-board margin and higher leasing costs recorded in Q3'24. After updating the model, we set the target price at PLN 69,5, which implies maintaining the Buy recommendation.

Q3'24, as expected, turned out to be the best quarter in the company's history. He reported results were close to our forecasts and the consensus, which we perceived them as neutral. The company's EBITDA reached 257,4 million PLN (+34% y/y), slightly exceeding our expectations. Meanwhile, the adjusted net profit, excluding foreign exchange differences and SWAP transactions, amounted to 135,0 million PLN (+30,2% y/y) was slightly lower than our estimates. During the period, operating cash flow rose significantly y/y to 273,7 million PLN (+50% y/y). However, a slightly lower on-board margin and higher interest costs on leases lead us to revise our profitability forecasts downward.

We estimate that in 2024, the number of air operations will increase by approximately 11%, enabling the company to achieve revenues of 2,9 billion PLN. Our forecasted EBITDA of 492,2 million PLN (+21% y/y) and adjusted net profit of 79,4 million PLN (+14% y/y) imply an attractive valuation of the company (EV/EBITDA 5x).

As we assumed in our previous recommendation, Enter Air plans to maintain its transport capacity at the level of the 2024 summer season by replacing two ACMI units with NG aircraft. In our view, this change will increase the number of operations during the low season while reducing profitability in this period. Simultaneously, it will enable bigger cost savings in the summer, which combined with an increase in the number of flying hours (effect of improved fleet utilization), will allow for further progress in results in 2025.

With the above in mind, we expect an increase in the number of air operations throughout 2025 by approximately 5%, which should enable the company to generate revenues of around 3,1 billion PLN. We also forecast that the company will be able to improve its EBITDA result y/y by 6% to PLN 523,8 million and adjusted net profit up to PLN 124,0 million (+56% y/y).

The primary reason for not further increasing transport capacity, despite high demand for the company's services, is the currently high prices of used aircraft. However, we expect the market situation to gradually improve in the coming quarters. Based on management's statements during the conference, which align with our earlier assumptions, we maintain our forecast for Enter Air's transport capacity unchanged.

We assume that more visible improvement in dynamics should be noticeable already in 2026, driven by the delivery of six Boeing 737 MAX aircraft. Assuming the planned replacement of part of the fleet due to the age of the machines, we anticipate that the number of aircraft will increase by three net units.

Additionally, we expect that the carrier will continue its policy of redistributing profits to investors in the coming years. We forecast a DPS of approximately 2,5 PLN in 2025, implying a yield of 4,5%.

	2021	2022	2023	2024F	2025F	2026F	2027F
Revenues [mln PLN]	1 120,3	2 255,8	2 625,9	2 948,2	3 076,3	3 403,8	3 653,9
EBITDA MSSF16 [mln PLN]	208,2	442,7	405,2	492,2	523,8	579,6	626,0
EBIT MSSF16 [mln PLN]	-14,1	225,6	164,3	221,5	225,5	253,2	273,7
Gross income [mln PLN]	-141,1	77,1	240,5	153,0	153,1	173,3	186,6
Net income [mln PLN]	-117,1	72,3	196,4	128,5	124,0	140,3	151,2
P/BV	11,0	6,1	2,7	1,7	1,5	1,3	1,2
P/E	-	5,8	14,0	12,3	7,9	7,0	6,5
EV/EBITDA MSSF16	11,4	4,9	5,5	4,9	4,8	4,7	4,6
EV/EBIT MSSF16	-	9,5	13,6	10,9	11,3	10,7	10,5
DPS	0,0	0,0	0,0	4,4	2,5	2,5	2,8
DY	0,0%	0,0%	0,0%	7,9%	4,5%	4,4%	5,0%

BUY

(PREVIOUS: BUY)

TARGET PRICE 69,5 PLN

13 DECEMBER 2024, 13:35 CET

Target price [PLN]	69,5
Price upside	25%
Cost of capital	8,9%
Price [PLN]	55,8
Market cap [mln PLN]	978,9
Shares mln. szt.]	17,5
Max. price 6M [PLN]	68,8
Min. price 6m [PLN]	55,7
Rate of return 3M	-0,9%
Rate of return 6M	-17,2%
Rate of return 9M	-20,1%
Shareholders (% of votes):	
ENT Investments Ltd	51,5%
NN OFE	10,7%
Generali OFE	7,6%
TFI Allianz	5,6%
Others	24,6%

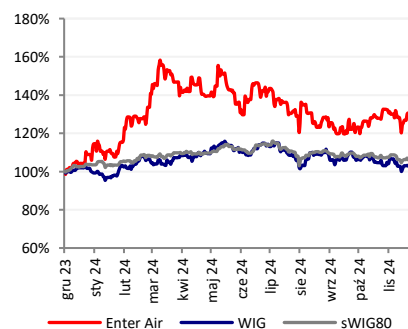
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Valuation summary

	Share	Valuation
DCF valuation	70%	80,5
Peer valuation	30%	43,7
Target price [PLN]		69,5

Source: BDM S.A.

DCF valuation

	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Revenues [mln PLN]	3 076,3	3 403,8	3 653,9	3 886,5	4 103,5	4 333,3	4 571,9	4 821,4	5 069,5	5 316,3
EBIT [mln PLN]	225,5	253,2	273,7	288,5	302,2	316,5	328,3	339,8	349,4	358,3
Tax rate	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
Tax on EBIT [mln PLN]	42,9	48,1	52,0	54,8	57,4	60,1	62,4	64,6	66,4	68,1
NOPLAT [mln PLN]	182,7	205,1	221,7	233,7	244,8	256,3	265,9	275,3	283,0	290,2
Amortization [mln PLN]	298,2	326,4	352,4	378,2	404,1	429,1	454,2	479,2	503,7	527,9
CAPEX [mln PLN]	-340,2	-373,9	-399,7	-428,6	-456,8	-485,7	-514,2	-542,9	-570,8	-598,0
Working capital movement [mln PLN]	0,9	-1,1	0,3	-0,2	-0,3	-0,2	-0,1	0,1	0,4	0,6
Purchase of investmen [mln PLN]	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
FCF [mln PLN]	141,7	156,5	174,6	183,1	191,8	199,5	205,8	211,6	216,3	220,8
DFCF [mln PLN]	131,8	133,7	136,9	131,8	126,7	121,1	114,7	108,3	101,7	95,5
Total DFCF [mln PLN]	1 202,3									
Terminal value [mln PLN]	3 671,0									
Discounted terminal value [mln PLN]	1 587,3									
Enterprise value [mln PLN]	2 789,6									
Net debt 2024 [mln PLN]	1 445,3									
Other financial assets [mln PLN]	68,6									
Equity value [mln PLN]	1 412,8									
Number of shares [mln]	17,5									
Value per share [PLN]	80,5									

Terminal growth rate: 1,0%

WACC calculation

	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
Risk-free rate	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%
Risk premium	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%	6,5%
Beta	1,1	1,1	1,1	1,1	1,1	1,1	1,1	1,1	1,1	1,1
Credit premium	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%	1,5%
Cost of equity	14,4%	14,4%	14,4%	14,4%	14,4%	14,4%	14,4%	14,4%	14,4%	14,4%
Contribution of equity	36,5%	36,5%	36,4%	36,3%	36,3%	36,2%	35,9%	35,5%	35,2%	34,7%
Cost of debt after tax	5,8%	5,8%	5,8%	5,8%	5,8%	5,8%	5,8%	5,8%	5,8%	5,8%
Contribution of debt	63,5%	63,5%	63,6%	63,7%	63,7%	63,8%	64,1%	64,5%	64,8%	65,3%
WACC	8,9%	8,9%	8,9%	8,9%	8,9%	8,9%	8,9%	8,9%	8,8%	8,8%

Source: BDM S.A.

Sensitivity analysis

beta	Terminal growth rate			Risk premium	Terminal growth rate			Risk premium	Beta		
	0,5%	1,0%	1,5%		0,5%	1,0%	1,5%		1,0	1,1	1,2
1,0	79,6	86,0	93,2	5,5%	83,3	89,9	97,6	92,6	89,9	87,5	92,6
1,1	74,7	80,5	87,2	6,5%	74,7	80,5	87,2	83,2	80,5	78,0	83,2
1,2	70,0	75,4	81,6	7,5%	66,9	72,0	77,9	74,8	72,0	69,5	74,8

Source: BDM S.A.

Peer valuation

	P/E			EV/EBITDA		
	2025F	2026F	2027F	2025F	2026F	2027F
Ryanair	14,2	11,3	10,0	7,3	5,8	5,1
EasyJet	8,1	7,6	6,8	2,5	2,4	2,2
Wizz Air	5,8	3,6	3,0	4,6	3,7	3,4
TUI	6,7	5,9	5,4	2,6	2,3	2,0
Rainbow	8,5	8,4	7,5	5,5	5,2	4,4
Mediana	8,1	7,6	6,8	4,6	3,7	3,4
Enter Air*	12,3	7,9	7,0	4,9	4,8	4,7
Premium/discount	51,3%	4,4%	3,1%	8,2%	29,6%	36,3%
Valuation [PLN/share]	57,6	60,5	58,3	47,0	24,9	13,9
Year's contribution	33%	33%	33%	33%	33%	33%
Average valuation [PLN/share]		58,8			28,6	
Multiple's contribution		50%			50%	
Value per share [PLN]		43,7				

Main risks: 1) COVID-19 and its consequences 2) Macroeconomic environment 3) Customer concentration 4) Market competition 5) Aircraft crash 6) Suspension of Boeing 737 MAX 8 7) Terrorist attacks and military conflicts 8) Natural disasters and epidemics 9) Changes in fuel prices 10) Seasonality of results 11) Interest rate risk 12) Delays in the delivery of contracted aircraft 13) Risk of financial penalty from the Office of Competition and Consumer Protection

Source: BDM S.A., Bloomberg; *adj. of the impact of exchange differences from the balance sheet valuation

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Ratings and price targets history:

rating	price target	previous rating	previous target price	report date	report date (hour)	price	WIG
Buy	69,5	Buy	71,0	13.12.2024*	13:35 CET	55,8	81 670
Buy	71,0	Buy	77,5	29.10.2024*	08:50 CET	60,0	80 763
Buy	77,5	Buy	59,8	10.06.2024*	13:30 CEST	62,3	84 406
Buy	59,8	Accumulate	52,3	29.08.2023*	08:30 CEST	43,5	68 722
Accumulate	52,3	Accumulate	24,0	23.05.2023*	11:55 CEST	46,2	65 734
Accumulate	24,0	Accumulate	25,3	26.10.2022*	11:10 CET	21,5	48 263
Accumulate	25,3	Buy	41,6	11.07.2022*	08:00 CET	22,9	54 611
Buy**	41,6	Hold	41,8	07.10.2021*	07:00 CEST	32,5	71 789
Hold**	41,8	Buy	28,3	13.05.2021*	07:00 CEST	41,2	62 214
Buy**	28,3	Accumulate	37,1	22.10.2020*	07:00 CEST	20,2	47 912
Accumulate**	37,1	Buy	52,2	12.06.2020*	08:00 CEST	33,6	51 487
Buy**	52,2	Buy	48,4	11.12.2019*	10:40 CEST	44,4	55 530
Buy**	48,4	Accumulate	41,0	09.10.2019*	14:35 CEST	37,5	56 233
Accumulate**	41,0	---	---	26.07.2019*	13:57 CEST	36,2	60 151

* The report was prepared by Dom Maklerski BDM at the request of the WSE as part of the Exchange's Analytical Coverage Support Programme. **- the author of reports on Enter Air in the years 2019-2021 was Adrian Górniak

Explanations of terminology:

EBIT - earnings before interest and tax
 EBITDA — earnings before interest, taxes, depreciation, and amortization
 Net debt – interest bearing debt minus cash and equivalents
 WACC - weighted average cost of capital
 CAGR - cumulative average annual growth
 EPS - earnings per share
 DPS - dividend per share
 CEPS - net profit plus depreciation per share
 EV – market capitalization plus interest bearing debt minus cash and equivalents
 EV/S – market capitalization / sales
 EV/EBITDA – EV / sales
 P/EBIT – market capitalization / EBIT
 MC/S – market capitalization / sales
 P/E – market capitalization / net profit
 P/BV – market capitalization / book value
 P/CE - market capitalization / net profit plus depreciation
 ROE – net profit / equity
 ROA - net income / assets
 Gross margin - gross profit on sales / sales
 EBITDA margin – EBITDA / sales
 EBIT margin – EBIT / sales
 Net margin – net profit / sales

Explanation of ratings:

Buy – we believe that the security will reach the target price in the recommended period, which significantly exceeds the current market price (at least + 15%);
 Accumulate – we believe that the security will reach the target price in the recommended period, which exceeds the current market price (in the range of +5 to + 14.99%);
 Hold – we believe that a security in the recommended period will fluctuate around the target price, which is close to the current market price (in the range from -4.99% to + 4.99%);
 Reduce – we believe that the security will reach the target price in the recommended period, which is lower than the market price (range of decline from 5% to 14.99%);
 Sell – we believe that a security in the recommended period will reach the target price, which is significantly lower than the market price (suggested erosion of the value exceeds 15%).
 Target price – the theoretical price which, in our opinion, should reach a security in the recommended period; This price is the result of the company's value (eg based on DCF, comparative and other valuations), market conditions and the industry as well as other factors subjectively considered by the analyst.
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DCF – the most popular and the most effective of the valuation methods - it is based on the discounting of future cash flows generated by the company. The disadvantage is the high sensitivity to changes in the basic financial parameters forecast in the model (interest rates, exchange rates, profits, residual value).
 DDM – the method is based on discounting future cash flows from dividends. The advantage of the valuation is the inclusion of future financial results and cash flows from dividends. The main disadvantages are the high sensitivity to changes in the basic financial parameters forecasted in the model (capital cost, profits, residual value) and the risk of changing the dividend payment policy.
 Comparative – the method is based on current and forecasted market multipliers of companies from the industry or related industries, which better than DCF shows the current market situation. The main disadvantages are the difficulty in choosing the right companies for comparison, the risk of ineffective valuation of companies compared at a given moment, as well as high volatility (along with price fluctuations).

Distribution of BDM's recommendations in 4Q'24*:		, distribution of BDM's recommendations for the companies which BDM has supplied with investment banking services within the last 12 months	
numbers	%	numbers	%
Buy	7 54%	0	0%
Accumulate	4 31%	0	0%
Hold	1 8%	0	0%
Reduce	1 8%	0	0%
Sell	0 0%	0	0%

* detailed list of all analytical reports (recommendations) published by BDM during the last 12 months is included at <https://www.bdm.pl/analizy-i-informacje/analizy/historia-rekomendacji>

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The report constitutes an investment research within the meaning of art. 36 §1 of Commission Delegated Regulation (EU) 2017/565.

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For the first time this report has been made available to the public on 13.12.2024 (13:35 CET). Date of preparing the report is the date of making it accessible. Before the recommendation was made accessible, information included in it had been confidential.

The prices of the financial instruments listed in the document have been taken from the real-time pricing as provided by Bloomberg. Data concerning financial instrument prices used in the report could be loaded to 24 hours before the moment of completing the report.

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The report was not transferred to the issuer prior to its publication.

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